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MAY 27 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code.

Your purposes, as recited in your Articles of Incorporation, are to promote aviation safety and to provide your members a means of transportation and flight training. In an explanation of your activities you state that the club was formed solely as a means of allowing its members to share the operational and ownership expense of owning an aircraft while limiting each member's personal liability. There is no mention of social or recreational commingling of members.

Funds for the support of your activities are derived from pro-rata share payments made by members, as billed by the club, for the cost of operation and maintenance of the aircraft.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(7) Clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder."

Section 1.501(c)(7)-1 of the regulations provides, in part as follows:

"(a) The exemption provided by section 501(a) for organizations described in section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes,

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Date			5-27-83				

but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities."

Revenue Ruling 70-32, 1970-1 Cumulative Bulletin 132, in denying exemption to a flying club that has no organized social and recreation program, states that in order for a club to meet the requirements for exemption under section 501(c)(7) of the Code, there must be an established membership of individuals, personal contacts, and fellowship; and that a commingling of members must play a material part in the activities of the organization.

You are organized and operated for purposes other than the pleasure and recreation of your members, and you have no organized social and recreation program. Commingling of members is not a material part of your activities.

Accordingly, we conclude that you do not qualify for exemption under section 501(c)(7) of the Code, or any other section of the Code and should be filing income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report of letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

Sincerely,


District Director

Enclosures
Publication 892
Form 6018